

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>ROXAND TOWNSHIP</b>	County <b>EATON</b>
Audit Date <b>MARCH 31, 2005</b>	Opinion Date <b>MAY 25, 2005</b>	Date Accountant Report Submitted to State <b>SEPTEMBER 15, 2005</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Authority of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) <b>Karl L. Drake, CPA</b>			
Street Address <b>3775 Kimmel Road</b>	City <b>Horton</b>	State <b>MI</b>	Zip <b>49246</b>
Accountant Signature 			

**TOWNSHIP  
OF  
ROXAND**

**FINANCIAL STATEMENTS**

**MARCH 31, 2005**

# TOWNSHIP OF ROXAND

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## **INDEPENDENT AUDITOR'S REPORT**

Township Board  
Township of Roxand  
Eaton County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Roxand, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Roxand's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Roxand as of March 31, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with United States generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2005, on our consideration of the Township of Roxand's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grants.

Township Board  
Township of Roxand

The administration's discussion and analysis and budgetary comparison information on pages 3 through 8 and page 23 are not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Roxand's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

A handwritten signature in cursive script that reads "Karl L. Drake".

Karl L. Drake, P.C.  
Certified Public Accountant

May 25, 2005

This section of the Township of Roxand's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2005. It is best read in conjunction with the Township's financial statements that follow this section.

### Using This Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Township of Roxand financially as a whole.

The *Government-wide Financial Statements* provide information about the activities of the entire Township, presenting both an aggregate view of the Township's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant fund - the General Fund - with all other funds presented in one column as non-major funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the Township acts solely as an agent for the benefit of others.

Management's Discussion and Analysis (MD&A)  
(Required Supplemental Information)

#### Basic Financial Statements

*Government-wide Financial Statements*

*Fund Financial Statements*

Notes to the Basic Financial Statements

*(Required Supplemental Information)*

Budgetary Information for the General Fund

Other Supplemental Information

### Reporting The Township As A Whole - Government-Wide Financial Statements

One of the most important questions asked about the Township is, "As a whole, what is the Township's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the Township's financial statements, report information on the Township as a whole and its activities in a way that helps you answer this question. These statements are prepared to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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These two statements report the Township's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the Township's financial health or financial position. Over time, increases or decreases in the Township's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Township's operating results. However, the Township's goal is to provide services to our residents, not to generate profits as commercial entities do. One must consider many other non-financial factors to assess the overall health of the Township.

The statement of net assets and statement of activities report the governmental activities for the Township, which encompass all of the Township's services, including general government public safety, roads, and community enrichment. Property taxes and State Revenue Sharing finance most of these activities.

### **Reporting The Township's Most Significant Funds - Fund Financial Statements**

The Township's fund financial statements provide detailed information about the most significant funds - not the Township as a whole. Some funds are required to be established by State law and by bond covenants. However, the Township establishes funds as needed to help it control and manage money for particular purposes or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the Township use the following accounting approach:

Governmental funds - All of the Township's services are reported in governmental funds. Governmental fund reporting focuses on showing money inflows and outflow and the balances remaining at year-end that is available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Township and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

**Reporting The Township's Fiduciary Responsibilities -The Township As Trustee**

The Township is the trustee, or fiduciary, for its tax collection and agency funds. All of the Township's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**The Township As A Whole**

Recall that the statement of net assets provides the perspective of the Township as a whole. Table I provides a summary of the Township's net assets as of March 31, 2005:

TABLE I	Governmental Activities (In Thousands)
<b>ASSETS</b>	
Current and other assets	\$ 510.8
Capital assets - Net of accumulated depreciation	<u>421.0</u>
<b>TOTAL ASSETS</b>	<u>931.8</u>
<b>LIABILITIES</b>	
Current liabilities	0.0
Long-term liabilities	<u>0.0</u>
<b>TOTAL LIABILITIES</b>	<u>0.0</u>
<b>NET ASSETS</b>	
Invested in property and equipment - Net of related debt	421.0
Restricted	0.0
Unrestricted	<u>510.8</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 931.8</u>



The above analysis focuses on the net assets (see Table I). The change in net assets (see Table 2) of the Township's governmental activities is discussed below. Township's net assets were \$931.8 thousand at March 31, 2005. Capital assets, net of related debt totaling \$421.0 thousand compares the original cost, less depreciation of the Township's capital assets to long-term debt, including accrued interest on capital appreciation bonds, used to finance the acquisition of those assets. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the Township's ability to use those net assets for day-to-day operations. The remaining amount of net assets (\$510.8 thousand) was unrestricted.

The \$510.8 thousand in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Township as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal year 2005. Since this is the first year the Township has prepared financial statements following GASB Statement No. 34, revenue and expense comparison to fiscal year 2004 is not available.

TABLE 2	Governmental Activities
	(In Thousands)
REVENUE	
Program Revenue	
Charges for services	\$ 6.2
Grants and categoricals	0.0
General Revenue	
Property taxes	199.5
State Shared Revenue	94.0
Other	31.5
TOTAL REVENUE	\$ 331.2

<b>FUNCTION/PROGRAM EXPENSES</b>	<b>(In Thousands)</b>
General Government	\$ 99.4
Public Safety	76.4
Public Roads	73.1
Community Enrichment	0.0
Depreciation (unallocated)	30.6
<b>TOTAL FUNCTION/PROGRAM EXPENSES</b>	<b>279.5</b>
<b>INCREASE IN NET ASSETS</b>	<b>\$ 51.7</b>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$279.5 thousand. Certain activities were partially funded from those who benefited from the programs (\$6.2 thousand) or by other governments and organizations that subsidized certain programs with grants and categoricals (\$0.0 thousand). We paid for the remaining “public benefit” portion of our governmental activities with \$199.5 thousand in taxes, \$94.0 thousand in State Revenue Sharing, and with our other revenues, such as interest and general entitlements.

The Township experienced an increase in net assets of \$51.7 thousand. The key reason for the change in net assets was capitalizable expenditures. The increase in net assets differs from the change in fund balance and a reconciliation appears on page 13.

As discussed above, the net cost shows the financial burden that was placed on the State and the Township’s taxpayers by each of these functions. Since property taxes for operations and State Revenue Sharing constitute the vast majority of the Township’s operating revenue sources, the Township Board must annually evaluate the needs of the Township and balance those needs with State-prescribed available unrestricted resources.

### **The Township’s Funds**

As we noted earlier, the Township uses funds to help it control and manage money for certain purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Township’s overall financial health.

As the Township completed this year, the governmental funds reported a combined fund balance of \$510.8 thousand, which is an increase of \$52.4 thousand from last year. The primary reasons for the increase are expenditures. The General Fund, our principal operating fund, saw the fund balance increase \$52,469 to \$509,766, which is greater than the budgeted decrease of \$48,556.

### **General Fund Budgetary Highlights**

Over the course of the year, the Township amends its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Township’s original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

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## **Capital Asset And Debt Administration**

### **Capital Asset**

At March 31, 2005, the Township had \$421 thousand invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions and disposals) of approximately \$8,671 or 1 percent, from last year.

	<u>2005</u>	<u>2004</u>
Land	\$ 5,000	\$ 5,000
Buildings	71,192	71,192
Improvements	6,744	---
Vehicles	493,094	493,094
Equipment	<u>133,589</u>	<u>120,118</u>
Total Capital Assets	<u>709,619</u>	<u>689,404</u>
Less Accumulated Depreciation	<u>288,635</u>	<u>259,749</u>
Net Capital Assets	<u>\$ 420,984</u>	<u>\$ 429,655</u>

Other obligations include employee-compensated absences. We present more detailed information about our long-term liabilities in the notes to the financial statements.

### **Economic Factors And Next Year's Budgets And Rates**

Our elected officials and administration considered many factors when setting the Township's 2006 fiscal year budget.

Because the Township's revenue is heavily dependent on State Shared Revenue, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to Townships. The State periodically holds a revenue consensus conference to estimate revenues. Based on the results of the most recent conference, the State estimates funds are sufficient to fund the appropriation.

The Township's budget is very similar to the prior year. Interest rates on the Township's savings accounts should increase slightly, providing slightly higher interest revenues. The Township's taxable value will be higher, increasing the property tax revenues. Expenditures will be very consistent with last year, with the exception of a proposed \$30,000.00 expenditure for reassessing the entire township. This assessment has not been done in more than 20 years.

### **Contacting The Township's Financial Management**

This financial report is designed to provide the Township's citizens, taxpayers, customers, investors and creditors of the Township of Roxand with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Township Clerk, P.O. Box 127, 100 Ionia Street, Mulliken, Michigan 48861.

# TOWNSHIP OF ROXAND

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## STATEMENT OF NET ASSETS

MARCH 31, 2005

	Governmental Activities
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 501,013
Accounts Receivable	9,753
Prepaid Expenditures	---
Total Current Assets	<u>510,766</u>
Non-current Assets	
Capital Assets	709,619
Less: Accumulated Depreciation	<u>-288,635</u>
Total Non-current Assets	<u>420,984</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 931,750</b></u>
 <b>LIABILITIES AND NET ASSETS</b>	
Current Liabilities	
Accounts Payable	\$ ---
Accrued Salaries and Expenses	---
Accrued Interest	---
Deferred Revenue	---
Total Current Liabilities	<u>---</u>
Non-current Liabilities	
Bonds Payable	---
Compensated Absences and Severance Pay	---
Total Non-current Liabilities	<u>---</u>
<b>TOTAL LIABILITIES</b>	<u>---</u>
 <b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	420,984
Restricted for Debt Service	---
Unrestricted	<u>510,766</u>
<b>TOTAL NET ASSETS</b>	<u>931,750</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 931,750</b></u>

See Accompanying Notes to Financial Statements

# STATEMENT OF ACTIVITIES

YEAR ENDED MARCH 31, 2005

		<u>Program Revenues</u>		<u>Governmental Activities</u>
	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
<b>FUNCTIONS/PROGRAMS</b>				
Governmental Activities				
General Government	\$ 99,397	\$ ---	\$ ---	\$ -99,397
Public Safety	76,425	---	---	-76,425
Public Works	73,100	6,189	---	-66,911
Community Enrichment	---	---	---	---
Interest on Long-Term Debt	---	---	---	---
Depreciation (Unallocated)	<u>30,639</u>	<u>---</u>	<u>---</u>	<u>-30,639</u>
Total Governmental Activities	<u>\$ 279,561</u>	<u>\$ 6,189</u>	<u>---</u>	<u>-273,372</u>
General Revenue				
Taxes				
Property Taxes, Levied for General Operations				\$ 199,459
Property Taxes, Levied for Debt Service				---
State of Michigan Aid, Unrestricted				94,001
Interest Earnings				7,753
Other				<u>23,867</u>
Total General Revenue				<u>325,080</u>
<b>CHANGE IN NET ASSETS</b>				51,708
NET ASSETS - BEGINNING OF YEAR				<u>879,042</u>
<b>NET ASSETS - END OF YEAR</b>				<u><u>\$ 930,750</u></u>

See Accompanying Notes to Financial Statements.

# TOWNSHIP OF ROXAND

## BALANCE SHEET - GOVERNMENTAL FUNDS

MARCH 31, 2005

	General	Other Non-major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and Investments	\$ 500,013	\$ 1,000	\$ 501,013
Accounts Receivable	9,753	---	9,753
Due from Other Governmental Units	---	---	---
Due from Other Funds	---	---	---
Inventories	---	---	---
Prepaid Expenditures	---	---	---
<b>TOTAL ASSETS</b>	<b>\$ 509,766</b>	<b>\$ 1,000</b>	<b>\$ 510,766</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ ---	\$ ---	\$ ---
Accrued Salaries and Withholdings	---	---	---
Due to Other Funds	---	---	---
Deferred Revenue	---	---	---
<b>TOTAL LIABILITIES</b>	<b>---</b>	<b>---</b>	<b>---</b>
<b>FUND BALANCES</b>			
Reserved for Inventories	---	---	---
Unreserved, Designated	---	---	---
Unreserved and Undesignated	509,766	1,000	510,766
<b>TOTAL FUND BALANCES</b>	<b>509,766</b>	<b>1,000</b>	<b>510,766</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 509,766</b>	<b>\$ 1,000</b>	<b>\$ 510,766</b>
<b>TOTAL GOVERNMENTAL FUND BALANCES</b>			<b>\$ 510,766</b>
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources, and are not reported in the funds:			
Cost of the Capital Assets is			\$ 709,619
Accumulated Depreciation is			-288,635
			420,984
Long-term Liabilities are not due and payable in the current period and are not reported in the fund			
Bonds Payable			---
Compensated absences			---
Accrued interest is not included as a liability in governmental funds			---
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>			<b>\$ 931,750</b>

See Accompanying Notes to Financial Statements.

# STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES -GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2005

	General	Other Funds	Totals
<b>REVENUE</b>			
Property Taxes	\$ 199,459	\$ ---	\$ 199,459
State Grants	94,001	---	94,001
Charges for Services	6,189	---	6,189
Interest	7,730	23	7,753
Other	23,867	---	23,867
<b>TOTAL REVENUE</b>	<b>331,246</b>	<b>23</b>	<b>331,269</b>
<b>EXPENDITURES</b>			
General Government	99,397	---	99,397
Public Safety	76,425	---	76,425
Public Works	73,100	---	73,100
Recreational and Cultural	---	---	---
Debt Service	---	---	---
Capital Outlay	29,878	---	29,878
<b>TOTAL EXPENDITURES</b>	<b>278,800</b>	<b>---</b>	<b>278,800</b>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	52,446	23	52,469
<b>OTHER FINANCING SOURCES &lt;USES&gt;</b>			
Operating Transfers In	23	---	23
Operating Transfers Out	---	-23	-23
<b>TOTAL OTHER FINANCING SOURCES &lt;USES&gt;</b>	23	-23	---
<b>NET CHANGE IN FUND BALANCES</b>	52,469	---	52,469
<b>FUND BALANCES - BEGINNING OF YEAR</b>	457,297	---	457,297
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 509,766</b>	<b>\$ ---</b>	<b>\$ 509,766</b>

See Accompanying Notes to Financial Statements.

# **TOWNSHIP OF ROXAND**

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## **RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

**YEAR ENDED MARCH 31, 2005**

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** **\$ 52,469**

Amounts reported for governmental activities in the statement of activities are different because:

- Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	-30,639	
Capital Outlay	<u>29,878</u>	-761

- Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid ---

- Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) ---

- Uncollected property tax revenue is deferred in the governmental funds, but not in the statement of activities ---

- Compensated absences are included in expenditures in the statement of activities but not in the governmental funds ---

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** **\$ 51,708**



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# STATEMENT OF NET ASSETS

## FIDUCIARY FUNDS

MARCH 31, 2005

	<u>Tax Collection</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ ---
Accounts Receivable	<u>---</u>
<b>TOTAL ASSETS</b>	<u>\$ ---</u>
 <b>LIABILITIES</b>	
Due to Other Funds	\$ ---
Due to Other Entities	---
Due to Other Taxing Units	<u>---</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ ---</u></u>

See Accompanying Notes to Financial Statements.

## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Township conform to United States generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies.

#### **A. REPORTING ENTITY**

The Township of Roxand covers an area of approximately 36 square miles located in Eaton County, Michigan. The Township operates under an elected Board of Trustees consisting of five members and provides various services to its residents.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. appoints a voting majority of the organization's board, and has the ability to impose its will on the organization; or
2. there is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based on the above criteria, no additional organizations or entities are included in these financial statements.

#### **B. BASIS OF PRESENTATION**

##### **Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

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Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Government-Wide Statements** - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

**Fund Based Statements** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

## GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Fiduciary Funds - These funds, used to account for assets held in trust or as an agent for others, include Current Tax Collection Fund and Agency Fund.

## C. BUDGETS AND BUDGETARY ACCOUNTING

The General Fund is under formal budgetary control. Budgets are adopted on the modified accrual basis of accounting. Amendments are by action of the Board.

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

## **NOTES TO FINANCIAL STATEMENTS**

### **C. BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)**

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted at the functional level.

### **D. PROPERTY TAXES**

Real and personal property taxes are assessed as of December 31, and attach as an enforceable lien on property as of December 1 of the subsequent year. Taxes are due and payable as of February 28. The County of Eaton prepares the tax bills for the Township, and the Township collects the taxes prior to return to the County. The property tax revenues in the accompanying financial statements were recognized as those levied during the year.

All unpaid taxes become delinquent after February 28, at which time the uncollected real taxes are returned to Eaton County for collection and to be added to the delinquent tax rolls. The County of Eaton purchases delinquent real property taxes of the Township of Roxand. The County sells tax notes, the proceeds of which are used to pay the Township for the taxes. This is expected to take place in June 2005. These taxes have been recorded as revenue for the current year.

The Township is authorized to assess 1 mill for general operations. Millage rates levied for 2004 were .8759 mills for operations. Total taxable value of real and personal property in the Township was \$44,331,000.

The Township is responsible for the collection of delinquent personal property taxes.

### **E. CASH EQUIVALENTS**

The Township considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

### **F. FINANCIAL INSTRUMENTS**

The Township does not require collateral to support financial instruments subject to credit risk.

### **G. SHORT-TERM INTERFUND RECEIVABLES AND PAYABLES**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

### **H. FUND EQUITY**

Reservations of fund balance represent these portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

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## **I. CAPITAL ASSETS**

Capital assets, which include land, buildings, equipment, vehicles, and infrastructure assets (e.g. streets, bridges, drains) are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value materially extended asset life are not capitalized.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	15-50 years
Vehicles	5-20 years
Other equipment	5-20 years

## **J. LONG-TERM OBLIGATIONS**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

## **K. TOTAL COLUMNS ON COMBINED STATEMENTS**

Total columns on the Combined Statements are captioned (Memo Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with United States generally accepted accounting principles. Neither is such data comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

## **L. ESTIMATES**

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS

#### A. LEGAL OR CONTRACTUAL PROVISIONS FOR DEPOSITS AND INVESTMENTS:

The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by Act No. 217, Public Acts of 1982, states the Township, by resolution, may authorize investment of surplus funds as follows:

1. In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
2. In certificates of deposit, savings accounts, or depository receipts of a bank, which is a member of the Federal Deposit Insurance Corporation; or a savings and loan association, which a member of the Federal Savings and Loan Insurance Corporation; or a credit union, which is insured by the National Credit Union Association; but only if the bank, savings and loan association, or credit union complies with Subsection (2).
3. In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.
4. In United States government or Federal agency obligation repurchase agreements.
5. In bankers' acceptances of United States banks.
6. In mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township is in compliance with State law regarding their cash deposits.

The Township maintains all of its cash deposits at two banks.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Township's cash deposits are as follows:

<u>Deposits</u>	<u>Book Value</u>	<u>Carrying Amounts</u>
Insured (FDIC)	\$ 200,000	\$ 200,000
Uninsured & Uncollateralized	301,013	326,668
Total Deposits	<u>\$ 501,013</u>	<u>\$ 526,668</u>

The differences between the book value and the bank carrying amounts are caused by deposits in transit and outstanding checks.

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### NOTE 3 - ACCUMULATED FUND DEFICITS

There were no accumulated fund deficits at March 31, 2005.

### NOTE 4 - DUE TO/FROM OTHER FUNDS

There were no due to/due from other funds at March 31, 2005.

### NOTE 5 - CAPITAL ASSETS

Capital asset activity of the Township's Governmental activities was as follows:

	Balance April 1, 2004	Additions	Disposals and Adjustments	Balance March 31, 2005
Assets not being depreciated:				
Land	\$ 5,000	\$ ---	\$ ---	\$ 5,000
Capital assets being depreciated:				
Buildings	71,192	---	---	71,192
Improvements	---	6,744	---	6,744
Vehicles	493,094	---	---	493,094
Equipment	120,118	31,007	17,536	133,589
Subtotal	684,404	37,751	17,536	704,619
Accumulated depreciation:				
Buildings	34,133	2,287	---	36,420
Improvements	---	170	---	170
Vehicles	182,798	19,834	---	202,632
Equipment	42,818	8,349	1,754	49,413
Subtotal	259,749	30,640	1,754	288,635
Net capital assets being depreciated	424,655	7,111	15,782	415,984
Net capital assets	\$ 429,655	\$ 7,111	\$ 15,782	\$ 420,984

Depreciation expense was not charged to activities as the Township considers its assets to impact multiple activities and allocation is not practical.

## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE 6 - EXPENDITURES IN EXCESS OF BUDGET**

During the year ended March 31, 2005, the Township incurred no expenditures that were in excess of the amounts budgeted.

### **NOTE 7 - RETIREMENT PLAN**

During the year ended March 31, 2005, the Township did not participate in any retirement plan.

### **NOTE 8 - ACCUMULATED SICK AND VACATION PAY**

Amounts accumulated for accrued sick and vacation pay are immaterial and have not been entered in the accounting records.

### **NOTE 9 - RISK MANAGEMENT AND LITIGATION**

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the past several years the Township has obtained coverage from commercial insurance companies and has effectively managed risk through various employee education and prevention programs. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. At March 31, 2005, no claims exist, and no provision has been entered into the accounting records.



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## **REQUIRED SUPPLEMENTAL INFORMATION**

# TOWNSHIP OF ROXAND

## BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED MARCH 31, 2005

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	
<b>REVENUES</b>				
Property Taxes	\$ 37,093	\$ 37,093	\$ 199,459	\$ 162,366
State Shared Revenue	95,981	95,981	94,001	-1,980
Charges for Services	7,250	7,250	6,189	-1,061
Interest	1,775	1,775	7,730	5,955
Other	48,580	48,580	23,867	-24,713
Transfers In	---	---	23	23
<b>TOTAL REVENUES</b>	<b>190,679</b>	<b>190,679</b>	<b>331,269</b>	<b>140,590</b>
<b>EXPENDITURES</b>				
General Government	127,234	127,234	99,397	27,837
Public Safety	76,473	76,473	76,425	48
Public Works	73,775	73,775	73,100	675
Recreation and Culture	---	---	---	---
Debt Service	---	---	---	---
Capital Outlay	38,884	38,884	29,878	9,006
Other Uses - Operating Transfers Out	---	---	---	---
<b>TOTAL EXPENDITURES</b>	<b>316,366</b>	<b>316,366</b>	<b>278,800</b>	<b>37,566</b>
<b>EXCESS OF REVENUES OVER &lt;UNDER&gt; EXPENDITURES AND OTHER USES</b>	<b>-125,687</b>	<b>-125,687</b>	<b>52,469</b>	<b>178,156</b>
<b>BUDGETARY FUND BALANCE - April 1, 2004</b>	<b>457,297</b>	<b>457,297</b>	<b>457,297</b>	<b>---</b>
<b>BUDGETARY FUND BALANCE - MARCH 31, 2005</b>	<b>\$ 331,610</b>	<b>\$ 331,610</b>	<b>\$ 509,766</b>	<b>\$ 178,156</b>

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## **OTHER SUPPLEMENTAL INFORMATION**

**GENERAL FUND**

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**GENERAL FUND  
COMPARATIVE BALANCE SHEET**

**MARCH 31, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Cash	\$ 500,013	\$ 447,995
Taxes Receivable	9,753	9,320
Due from Other Funds	<u>---</u>	<u>396</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 509,766</b></u>	<u><b>\$ 457,711</b></u>
 <b>LIABILITIES AND FUND EQUITY</b>		
<b>LIABILITIES</b>		
Payroll Taxes Payable	\$ ---	\$ 414
<b>FUND EQUITY</b>	<u>509,766</u>	<u>457,297</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u><b>\$ 509,766</b></u>	<u><b>\$ 457,711</b></u>

# TOWNSHIP OF ROXAND

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## GENERAL FUND COMPARATIVE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE

YEARS ENDED MARCH 31, 2005 AND 2004

	2005	2004
<b>REVENUE</b>		
Taxes	\$ 199,459	\$ 138,869
State Revenue	94,001	102,403
Charges for Services	6,189	8,574
Interest	7,730	7,134
Other	23,867	34,199
<b>TOTAL REVENUE</b>	<b>331,246</b>	<b>291,179</b>
<b>EXPENDITURES</b>		
GENERAL GOVERNMENT		
Salaries and Wages	42,958	36,707
Payroll Taxes	3,286	12,981
Repairs and Maintenance	7,084	413
Office Supplies and Expense	6,099	4,501
Elections	1,403	---
Utilities	2,644	2,584
Library	8,361	7,980
Insurance	8,848	7,520
Auditor	2,800	2,600
Assessor	10,450	10,234
Ambulance	2,785	2,785
Telephone	911	1,187
Training	1,768	531
Miscellaneous	---	317
<b>TOTAL GENERAL GOVERNMENT</b>	<b>99,397</b>	<b>90,340</b>
PUBLIC SAFETY - FIRE		
Salaries and Wages	22,234	20,900
Payroll Taxes	1,701	1,599
Office	4,250	7,247
Telephone	588	677
Utilities	4,211	4,478
Repairs and Maintenance	14,559	16,437
Insurance	19,464	18,537
Gas	7,880	6,340
Training	1,420	2,597
Miscellaneous	118	373
<b>TOTAL PUBLIC SAFETY</b>	<b>76,425</b>	<b>79,185</b>

	2005	2004
<b>PUBLIC WORKS</b>		
Cemetery		
Salaries and Wages	\$ 13,311	\$ 11,120
Payroll Taxes	1,018	851
Office Supplies	331	150
Insurance	1,524	1,280
Repairs and Maintenance	19,978	11,302
Utilities	1,157	849
Supplies	570	---
Openings	2,125	2,350
Equipment Rental	600	5,700
Miscellaneous	---	5
Total Cemetery	40,614	33,607
Roads	32,486	38,323
<b>TOTAL PUBLIC WORKS</b>	73,100	71,930
<b>DEBT SERVICE</b>	---	---
<b>CAPITAL OUTLAY</b>	29,878	176,801
<b>TOTAL EXPENDITURES</b>	<b>278,800</b>	<b>418,256</b>
 <b>EXCESS OF REVENUE OVER &lt;UNDER&gt; EXPENDITURES</b>	 52,446	 -127,077
 <b>OTHER FINANCING SOURCES</b>		
Operating Transfer In	23	27
 <b>EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER &lt;UNDER&gt; EXPENDITURES</b>	 52,469	 -127,050
 <b>FUND BALANCE - BEGINNING OF YEAR</b>	 457,297	 584,347
 <b>FUND BALANCE - END OF YEAR</b>	 <b>\$ 509,766</b>	 <b>\$ 457,297</b>

# **TOWNSHIP OF ROXAND**

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## **GENERAL FUND COMBINING BALANCE SHEET**

**MARCH 31, 2005**

	<u>General</u>	<u>Cemetery</u>	<u>Fire</u>	<u>Road</u>	<u>Total</u>
<b>ASSETS</b>					
Cash	\$ 243,775	\$ 17,578	\$ 164,335	\$ 74,325	\$ 500,013
Taxes Receivable	---	---	7,283	2,470	9,753
Due from Other Funds	---	---	---	---	---
<b>TOTAL ASSETS</b>	<u><b>\$ 243,775</b></u>	<u><b>\$ 17,578</b></u>	<u><b>\$ 171,618</b></u>	<u><b>\$ 76,795</b></u>	<u><b>\$ 509,766</b></u>
<b>LIABILITIES AND FUND EQUITY</b>					
<b>LIABILITIES</b>					
Payroll Taxes Payable	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
<b>FUND EQUITY</b>	<u>243,775</u>	<u>17,578</u>	<u>171,618</u>	<u>76,795</u>	<u>509,766</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u><b>\$ 243,775</b></u>	<u><b>\$ 17,578</b></u>	<u><b>\$ 171,618</b></u>	<u><b>\$ 76,795</b></u>	<u><b>\$ 509,766</b></u>



**GENERAL FUND**  
**COMBINING STATEMENT OF REVENUE AND TRANSFERS, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**

**YEAR ENDED MARCH 31, 2005**

	General	Cemetery	Fire	Roads	Total
<b>REVENUE</b>					
Taxes	\$ 4,677	\$ ---	\$ 155,994	\$ 38,789	\$ 199,460
State Revenue	94,001	---	---	---	94,001
Charges for Services	---	6,189	---	---	6,189
Interest	5,679	23	1,593	435	7,730
Other	3,398	19,810	640	18	23,866
<b>TOTAL REVENUE</b>	107,755	26,022	158,227	39,242	331,246
TRANSFERS IN <OUT>	-3,614	27,585	-23,947	-1	23
<b>TOTAL REVENUE/TRANSFERS</b>	104,141	53,607	134,280	39,241	331,269
<b>EXPENDITURES</b>					
Salaries and Wages	42,958	13,311	22,234	---	78,503
Payroll Taxes	3,286	1,018	1,701	---	6,005
Office Supplies	6,099	331	4,250	---	10,680
Elections	1,403	---	---	---	1,403
Library	8,361	---	---	---	8,361
Insurance	8,848	1,524	19,464	---	29,836
Auditor	2,800	---	---	---	2,800
Assessor	10,450	---	---	---	10,450
Drains at Large	---	---	---	545	545
Repairs and Maintenance	7,084	19,978	14,559	---	41,621
Utilities	2,644	1,157	4,211	---	8,012
Telephone	911	---	588	---	1,499
Ambulance	2,785	---	---	---	2,785
Openings	---	2,125	---	---	2,125
Road Expenses	---	---	---	31,941	31,941
Training	1,768	---	1,420	---	3,188
Gas	---	---	7,880	---	7,880
Equipment Rental	---	600	---	---	600
Miscellaneous	---	570	118	---	688
Capital Outlay	---	---	29,878	---	29,878
<b>TOTAL EXPENDITURES</b>	99,397	40,614	106,303	32,486	278,800
<b>EXCESS OF REVENUE AND TRANSFERS OVER &lt;UNDER&gt; EXPENDITURES</b>	4,744	12,993	27,977	6,755	52,469
FUND BALANCE - BEGINNING OF YEAR	239,031	4,585	143,641	70,040	457,297
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 243,775</b>	<b>\$ 17,578</b>	<b>\$ 171,618</b>	<b>\$ 76,795</b>	<b>\$ 509,766</b>

Karl L. Drake, P.C.

**SPECIAL REVENUE FUND**

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**CEMETERY TRUST FUND  
COMPARATIVE BALANCE SHEET**

**MARCH 31, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Cash	<u>\$ 1,000</u>	<u>\$ 1,000</u>
<b>FUND EQUITY</b>		
Fund Balance	<u>\$ 1,000</u>	<u>\$ 1,000</u>

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**CEMETERY TRUST FUND  
COMPARATIVE STATEMENT OF REVENUE, TRANSFERS  
AND CHANGES IN FUND BALANCE**

**YEAR ENDED MARCH 31, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
<b>REVENUE</b>		
Interest	\$ 23	\$ 27
<b>TRANSFERS OUT</b>	<u>23</u>	<u>27</u>
EXCESS OF REVENUE OVER TRANSFERS OUT	---	---
FUND BALANCE - BEGINNING OF YEAR	<u>1,000</u>	<u>1,000</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ 1,000</u></u>	<u><u>\$ 1,000</u></u>

**AGENCY FUNDS**

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**CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**

**MARCH 31, 2005**

	03-31-04			03-31-05
	BALANCE	ADDITIONS	REDUCTIONS	BALANCE
ASSETS				
Cash	\$ 396	\$ 1,380,009	\$ 1,380,405	\$ ---
LIABILITIES				
Due/Library	\$ ---	\$ 36,036	\$ 36,036	\$ ---
Due/General Fund	396	202,541	202,937	---
Due/Co. of Eaton	---	585,107	585,107	---
Due/Schools	---	553,353	553,353	---
Due/Taxpayers	---	2,972	2,972	---
TOTAL LIABILITIES	\$ 396	\$ 1,380,009	\$ 1,380,405	\$ ---

**CURRENT TAX COLLECTION FUND  
STATEMENT OF RECEIPTS AND DISBURSEMENTS**

**YEAR ENDED MARCH 31, 2005**

**RECEIPTS** \$ 1,380,009

**DISBURSEMENTS**

Grand Ledge Public Schools	\$ 168,936	
Lakewood Public Schools	77,247	
Charlotte Public Schools	48,331	
Eaton County Intermediate School	115,772	
Ionia County Intermediate School	54,189	
Lansing Community College	<u>88,878</u>	553,353
Taxpayer Refunds and Bank Charges		2,972
County of Eaton		585,107
Township of Roxand		202,937
Library		<u>36,036</u>
<b>TOTAL DISBURSEMENTS</b>		<u><u>\$ 1,380,405</u></u>

3775 Kimmel Road

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Township Board  
Township of Roxand

We have audited the general-purpose financial statements of the Township of Roxand as of and for the year ended March 31, 2005, and have issued our report thereon dated May 25, 2005. We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township of Roxand's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Roxand's control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of Township Board, management and the State of Michigan. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script that reads "Karl L. Drake".

Karl L. Drake, P.C.  
Certified Public Accountant

May 25, 2005